

ILLINOIS DEPARTMENT OF REVENUE
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY82-20(REVISED)

TO: All Taxpayers Required To Make Quarter Monthly Tax Payments

SUBJECT: Retailers' Occupation and Use Tax Act -- Quarter Monthly Tax System (Public Act #79-6SS5)

Public Act #79-6SS5 became effective on November 1, 1976. It amended Section 3 of the Retailers' Occupation Tax Act and Section 9 of the Use Tax Act by requiring certain taxpayers to pay Retailers' Occupation and Use Taxes (State, Municipal and County only) on a quarter monthly basis.

Your firm comes within the provisions of this legislation. Rather than remitting your tax liability at the end of the month following the liability month (e.g., January's tax paid at the end of February), you are required (or will be required commencing with the next calendar quarter) to remit an ESTIMATED AVERAGE monthly liability in four installments during the current month. Your RR-1-A return, showing your ACTUAL liability, is due at the end of the month following the liability month.

Even though the provisions of this legislation are not new, many questions continue to be raised regarding both statutory and administrative requirements. Therefore, to assist you in carrying out the requirements of this legislation, we are presenting answers to some of the most frequently asked questions relating to the quarter monthly tax system.

WHO MUST FILE?

Taxpayers whose average monthly tax under the Retailers' Occupation and Related Tax Acts equals or exceeds \$10,000 during the previous four complete calendar quarters are required by the Illinois Statute to make payments on a quarter monthly basis. Once applicable, the requirement of making quarter monthly payments to the Department shall continue until a taxpayer's average monthly liability during the preceding four complete calendar quarters (excluding the month of highest and lowest liability) is less than \$9,000, or until a taxpayer's average monthly liability as computer for EACH calendar quarter of the four preceding complete calendar quarters is less than \$10,000.

HOW IS THE QUARTER MONTHLY PAYMENT AMOUNT COMPUTED?

The quarter monthly payment amount is a reasonable estimate of your present tax, based on your past actual liability. To determine this amount, your total liability for the four complete calendar quarters preceding the last calendar quarter is computed. This includes any assessment issued during this period. The months of highest and lowest

liability are deleted. The average of the remaining ten months (eleven periods for a thirteen period filer) determine the average monthly payment. This average is then divided by four to determine the average quarter monthly payment. Your tax liability will be reviewed each quarter in the manner described with the amount of your quarter monthly payments adjusted accordingly. This amount is reflected on the payment card (RR-3).

HOW ARE PAYMENTS MADE?

The Department of Revenue will provide to the taxpayer at the beginning of each quarter, the materials needed to file quarter monthly payments. These materials include numbered payment cards entitled "RR-3 Quarter Monthly Payment". Printed on each card will be the taxpayer's name, address and identification number of the business; the amount of each quarter monthly payment due; the payment due dates; and the liability period to which each payment applies. IT IS IMPORTANT TO NOTE THAT CARDS MUST BE USED ONLY FOR THE PAYMENT DATE SPECIFIED. The card and remittance for the amount specified should be mailed to the Department in the pre-addressed envelope provided. The payments are then credited against your total sales tax liability, shown on your final return which is not due until the last day of the month following the month in which the liability was incurred. (For example: The April quarter monthly payments are due on April 7, 15, 22 and 30th. The April RR-1-A return is due on or before May 31.)

SEPARATE REMITTANCES SHOULD BE PREPARED FOR THE QUARTER MONTHLY PAYMENT CARD(S) BEING FILED.

DO NOT COMBINE THIS TAX REMITTANCE WITH OTHER TAXES YOU MAY OWE.

For information regarding payment of your Mass Transit District tax liability, please refer to "What About Mass Transit District Taxes?".

WHEN ARE PAYMENTS DUE?

Quarter monthly payments, shown on the payment card, are due on the 7th, 15th, 22nd and the last day of the month. (Adjustments are made for holidays and weekends.) Be advised that overpayments of tax from prior periods may not be rolled forward and claimed against tax due, nor may payments be deferred in anticipation of receiving a credit memorandum from the Department.

WHAT IF THE AMOUNT PRINTED ON THE QUARTER MONTHLY PAYMENT CARDS APPEAR TOO HIGH?

The law provides an option for you to reduce your quarter monthly payments if, at any point in the month, it appears your liability will be overpaid. Under the law, you may reduce your quarter monthly payments without penalty so long as your cumulative estimated payments result in a remittance of 25% of your actual liability for the month on or before the 7th of the month, 50% on or before the 15th, 75% on or before the 22nd and 100% on or before the end of the month. Failure to meet these weekly payment requirements may result in a penalty which is generally 4% of the underpayment (loss of 2% discount plus 2% interest per month or fraction thereof).

EXAMPLE:

| Taxpayer #1 | | | Taxpayer #2 | | |
|-------------|--------------------------------|--|-------------|--------------------------------|-------------------|
| Payment | % of Actual Liability Remitted | Department Action | Payment | % of Actual Liability Remitted | Department Action |
| #1 | 15% | Penalty assessed on 10% under payment | #1 | 35% | --+ |
| #2 | 25% | No additional penalty even though total thru the 15th of the month is only 40% | #2 | 25% | No Penalty |
| #3 | 20% | Penalty assessed on 5% under payment | #3 | 25% | |
| #4 | 40% | No additional penalty | #4 | 15% | |
| | ----- 100% | | | ----- 100% | |

(There is no penalty for underpayment of the amounts of the quarter monthly payment cards are paid timely and the remaining actual liability is remitted with the RR-1-A return which is also timely filed)

The Department will also entertain a written request for reduction or waiver of the quarter monthly payment amount if the estimated amount is excessive due to the sale or permanent loss of a portion of your business, unusual purchases that resulted in a one-time payment of Use Tax during the calculation period, changes to legislation resulting in a reduced sales tax liability (such as on food and drugs), etc.. Any written request for reduction or waiver of the quarter monthly requirement for these reasons must provide a projected figure of what you expect your future monthly sales tax liabilities to be. Any reduction or waiver of the quarter monthly requirement granted in writing by the Department will pertain only to the current filing quarter. At the end of this quarter and each succeeding quarter the Department will again review your account to determine filing requirements. Accordingly, your request for reduction or waiver must be renewed quarterly.

WHAT HAPPENS IF MY PAYMENTS ARE LATE?

Payments transmitted through the United States are deemed to have been filed on the date of the U.S. Postal Service postmark affixed to the envelope or wrapper in which the payment is mailed. If a quarter monthly payment is not made on or before the due date shown on the payment card (RR-3), the 2% discount on that portion of the tax liability that is filed late is disallowed. In addition, interest at the rate of 2% per month or fraction thereof is charged on the amount of tax that is filed late. Such interest charges run from the date the payment is due until paid.

WHAT ABOUT MASS TRANSIT DISTRICT TAXES?

Effective with the filing of your July, 1984 liability period sales tax return (Form RR-1-A), you may deduct quarter monthly payments from State, Local, and Mass Transit taxes due. It no longer is necessary that you submit a separate remittance only in payment of your Mass Transit tax liability.

A remittance of course would be necessary to cover any remaining tax liability after deducting quarter monthly payments, any prepaid tax credit on motor fuel purchases, or Credit Memoranda from the total Due amount shown on line 50 of the RR-1-A.

WHAT HAPPENS IF I OVERPAY MY ACTUAL LIABILITY WITH MY QUARTER MONTHLY PAYMENTS?

If your quarter monthly payments exceed your total liability (line 50 less any prepaid sales tax credit on motor fuel purchases and less any Department authorized credit memoranda) for the month, the Department will automatically issue to you a credit memorandum. Generally, a credit memorandum is returned within two (2) weeks from the date the RR-1-A tax return is due. If your account has unpaid final assessment(s) at the time a credit memorandum is being processed, the time required to return your credit is slightly longer. The Retailers' Occupation Tax Act requires that certain unpaid assessments be paid to the Department issuing a credit memorandum. In these cases, the approved credit is applied to the account and any remaining balance is returned via a credit memorandum.

No refund or credit memorandum will be made if less than \$1.00.

HOW MAY I USE MY CREDIT MEMORANDA?

Credit memoranda may be used to pay either quarter-monthly payments (RR-3) or the total tax due on your RR-1-A tax return. The original credit memorandum MUST accompany either the return or the quarter-monthly payment card to which it is being applied.

If you submit a credit memorandum that exceeds the amount shown on your RR-3 payment card, a credit memorandum will be issued to you for the amount of the overpayment. If you have outstanding credit memoranda in a total amount that exceeds one RR-3 payment card, you may submit as many RR-3 cards issued for the calendar quarter as necessary to utilize the full amount of the credit memorandum.

(For example):

You have total credit memoranda equalling \$60,000 and your quarter monthly payments are \$10,000, you can submit the next six (6) quarter monthly payment cards along with the credit memoranda.

If in the above example, your credit memoranda were for \$65,000 the excess of \$5,000 would be returned to you in the form of another credit memorandum, assuming you do not have any unpaid final assessment. If your account has an unpaid final assessment at the time we are processing the \$5,000 credit in the above example, we would pay the

assessment with the credit. Any excess would then be returned to you via a credit memorandum. Credit memoranda in this category will be returned to you as soon as possible after we process the RR-3 payment cards.

The exception to the above is that any overpayment on an RR-3 payment card of \$100 or less will subsequently be applied against the total liability (line 50 less any prepaid sales tax credit on motor fuel purchases and less any Department authorized credit memoranda) on your RR-1-A tax return.

A credit memorandum can also be used to pay a quarter monthly liability even though the credit is less than the amount of the quarter monthly liability. In this case, you should include a remittance with the quarter monthly card(s) and the credit memorandum to cover the difference.

NOTE: If you elect to submit multiple quarter monthly payment cards and credit memoranda, the cards and credit memoranda must be submitted on or before the earliest due date of the quarter monthly cards being submitted. Do not send to us any RR-3 payment cards that you are not intending to pay in full with credit memoranda or a remittance.

WHAT IF I FILE ON OTHER THAN A CALENDAR BASIS?

If the Department has granted a taxpayer permission to file on other than a calendar month basis, i.e., 13 period, 3 or 5 week filer, the due dates of the monthly tax return and quarter monthly payments are adjusted accordingly.

For the Department to grant this permission, a schedule of the filing periods for the following year must be filed with the Department at least 90 days in advance of the calendar quarter in which the non-monthly period filing is to commence. If you wish to remain on a non-monthly filing basis, a revised schedule of filing periods must be submitted to the Department at least 90 days prior to the expiration of the schedule on file.

Since the Department will change filing periods only at the beginning of the quarter, taxpayer, taxpayers will be required to file both their tax returns and quarter monthly payments on a regular calendar month basis until the beginning of the quarter following the receipt of the approval and schedule. Please note that the responsibility for providing a calendar of non-monthly accounting periods rests with the taxpayer.

If a taxpayer reverts to a calendar month basis because the schedule we not received timely, the taxpayer will be responsible for filing any short period returns and quarter monthly payments by the same due date as a calendar month filer to avoid penalty and interest from being assessed.

It is our hope that this has been of some assistance to you in complying with the quarter monthly tax requirements. Inquiries relating to this system of tax payments and requests for waiver or reduction of these payments may be directed to:

Illinois Department of Revenue
R.O.T. Pre-Edit Unit
Attn: Unit Supervisor
Post Office Box 4007
Springfield, Illinois 62708
Telephone: 217-785-4133

J. Thomas Johnson
Director

Issued June, 1984

•